

Key Issues In Developing Supported Housing-- An Array of Options



Key Concepts

1. Permanent Supported Housing
2. Housing First
3. Array of Choices



1. *Permanent Supported Housing*

As defined by Corporation for Supported Housing:

A cost-effective combination of permanent affordable housing with services that help people live stable, productive lives.



Who Needs Supported Housing?

- Those people who are most successful in supported housing are those who are most vulnerable; whose needs are most complex; whose need for services and support is most intense, including individuals or families:
- Chronically homeless
- Serious mental illness or addiction in early stages of recovery
- Leaving long-term institutional care
- Young adults leaving treatment systems or foster care
- Heavy users of emergency rooms or hospitals

What Does Supported Housing Look Like?

- Individual single-family home
- Scattered site
- Multi-family building (25% to 100% of units)
- Clustered (more than one building on the same site)

Different models will fit better with different populations of people based on service needs and/or stages of recovery.

Key Ingredients of Supported Housing

- The housing is affordable (no more than 30% of income); permanent (not transitional or arbitrary length of stay); and independent (tenant holds lease in their own name)
- Services are individualized, flexible, voluntary, and targeted to the specific needs of the residents/tenants of the PSH project.

Cost Effectiveness

- PSH is cost-effective in that it reduces the number of emergency room visits and hospital stays, reduces days in shelters and jails, and improves health outcomes.
- 80% of tenants maintain housing for 12 months or more.
- Any combination of housing and services produces a better outcome than either one alone.

2. Housing First

As defined by the National Alliance to End Homelessness:

An approach that centers on providing homeless people with housing quickly and then providing services as needed. What differentiates a Housing First approach from other strategies is that there is an immediate and primary focus on helping individuals and families quickly access and sustain permanent housing. This approach has the benefit of being consistent with what most people experiencing homelessness want and seek help to achieve.

Housing First

Housing First programs share critical elements:

- A focus on helping individuals and families access and sustain rental housing *as quickly as possible, and the housing is not time-limited*;
- Services are delivered following a housing placement to promote housing stability and individual well-being;
- Such services are time-limited or long-term, depending on individual need; and
- Housing is not contingent on compliance with services; participants must comply with a lease agreement and are provided with the services and supports that are necessary to help them do so successfully.

Housing First

People get better faster if they are safely and securely housed!



Dalberto gave out no shortage of hugs on moving day



3. *Array of Choices*

- In the past, the Continuum Model was often implemented as a series of stops towards independent housing. Individuals had little choice over where they lived, and were required or expected to move through a series of steps from supervised living to less supervision and structure.
- An array of choices requires no such movement through a system but rather attempts to provide a range of different models and types of housing and services to best meet the needs and goals of the individuals being served and housed.

Issues In Housing Development

Where Do I Start?



What Is the Problem (or Problems) I Am Trying to Fix?

- A general lack of affordable housing in the community?
- Lack of housing with a specific program design or for people with specific service needs?
- Lack of housing with on-site services?
- Lack of housing availability for individuals “locked out” of housing because of history or behavior?



Answering this question is key because everything else builds from there.

- Your case statement and supporting data (*why*)
- Your building design and location
- Your service and staffing design
- Your funding operations for building, operating, paying for services



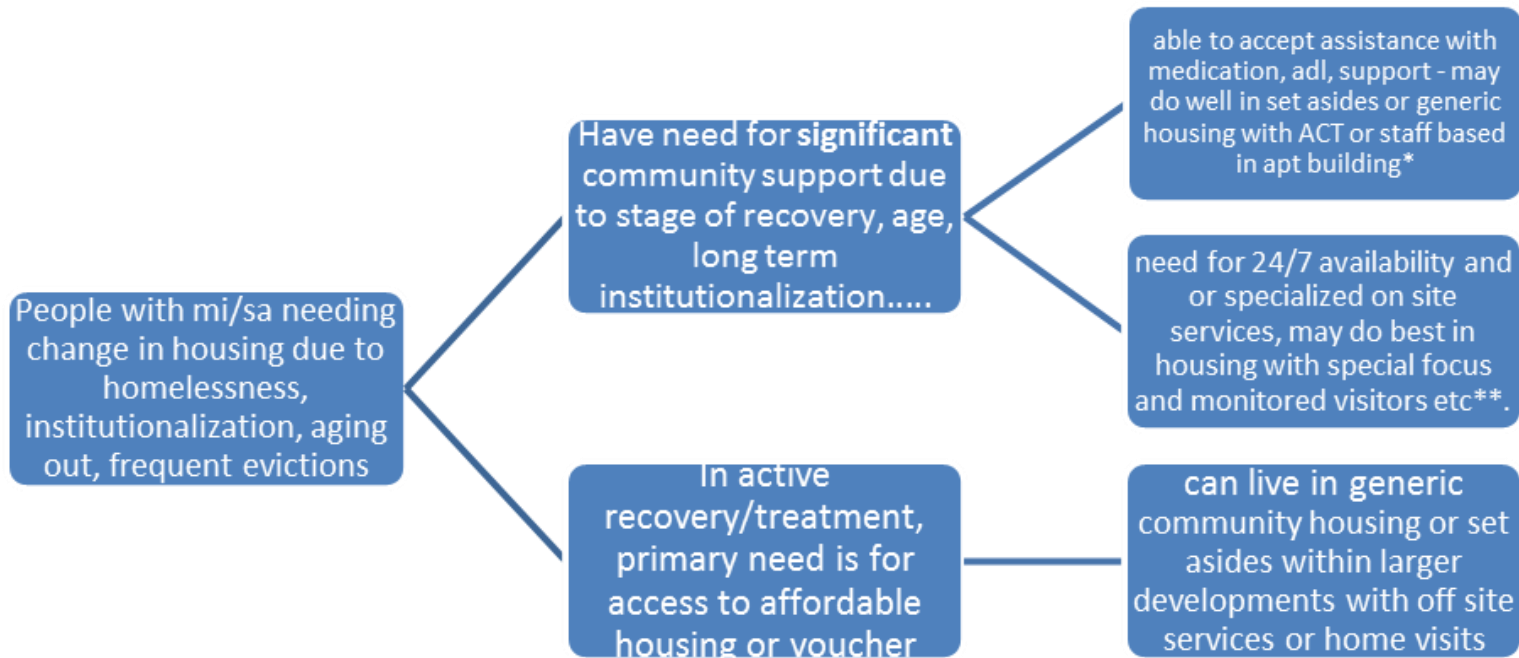
Ways to Find the Answer

Review your data and outcomes:

- Where are most people living now?
- How many are homeless any given day?
- How many people have been evicted or asked to move repeatedly?
- Who are frequent users of emergency rooms and on call?

Ask your clients, family members, clinicians

Breaking It Down



I Know Why I Need to Do It, and for Whom...So What's Next?

- Does this fit in with your agency mission, vision, strategic plan?
- Will your board support this?
- What resources (time, money, staff, property) can you put into this project? Will your cash flow allow any advances until funding comes through?

OK, OK, We're Good. Let's Get Started

Ok, but this is a marathon, not a sprint; and now you have some key decisions to make.



Who Is the Developer?

Option 1: You can do it yourself – ALL of it.

Pros:

- More control and flexibility over design and future use
- Building assets for your agency (property and developer's fee)
- Non-profit can apply for more grants for gap funding
- Control over tenant selection – you can choose to serve those most in need and with the most complex issues

Option 2: Or Not Be the Developer

Cons:

- Lack of experience
- Lack of time or staff
- Financial risk
- Potential conflict between service provider and owner roles
- Ideology

More Development Options

- Use a consultant as lead
- DMH Housing team can refer consultants with experience
- You can still be owner and share in development fee but have the advantage of having knowledgeable people package your application and find resources
- Partner with private developer
- A for-profit or non-profit housing developer can develop, own, and manage housing and you can provide tenants and services – whole project or set-asides within project



Be Ready for Upfront Costs



- Pre-development costs are the costs of doing everything you may need to do to prepare an application for funding including:

- Securing site
- Initial plans
- Surveys, environmental inspections
- Consultant fee
- Market study
- Land holding fees (security, property upkeep)

Most of this is recoupable if project is fully funded, but it is at risk. Explore possible options for help with pre-development costs.

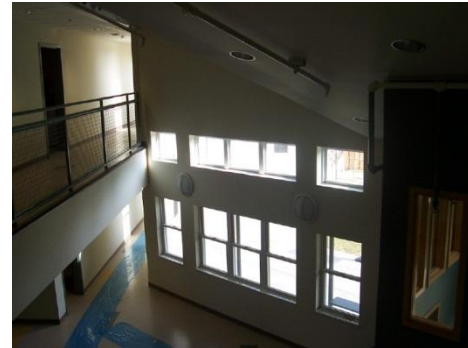
The Building

- Build new or renovate (implications for funding and design)
- Location, transportation, zoning, occupancy rules, registry
- People served and best fit for neighborhood: residential, commercial, urban, rural



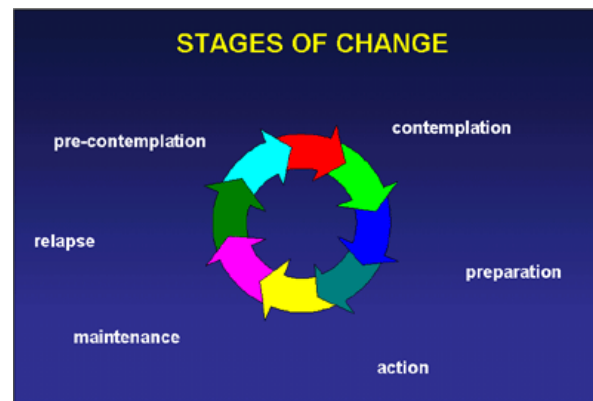
Design Consideration

- Is security or control over visitors an issue or concern (common versus individual entrances)?
- Will there be on-site staff?
- Will you want or need program or congregate space?
- Are there special needs or interests of potential tenants you should take into consideration in your design?



Your Housing Philosophy

- What level of risk are you comfortable with?
- Does your agency have a Housing First philosophy?
- What array of options do you want to have in terms of housing for people at different stages of change?



How does philosophy impact management and management impact philosophy?

- Marketing and tenant selection and screening
- Rent collection, evictions, absences
- On-site use of drugs or alcohol
- Visitors
- Access
- Re-traumatizing residents

Putting Financing Together

- Will have to be creative
- No one funding source will cover everything. You will have to be prepared to explore a variety of gap funding options.
- What options are available depend, in part, on who you will be housing, e.g., people who are homeless or veterans or youth or family, etc.
- Work with consultant, DMH housing staff

Options for Getting a Building: The First Leg of the Stool - Capital

- HUD 811 (used a lot in the past; probably not an option in the future)
- MHDC LIHTC
- MHDC HOME funds, Trust Fund
- DNR Historic Tax Credits
- Partner with developer for set-asides
- Master Lease
- Public Housing
- Buy with mortgage



1. HUD 811

Buy and renovate or build new housing for people with disabilities who are low-income. This is the funding stream most commonly used by providers in Missouri in the past.



Changes in 811: Frank Melville Supported Housing Act

- The original intent was for 811 funding to cover whole cost of capital, but this was becoming more difficult. It could not be used in combination with other programs like LIHTC.
- The biggest reason for change was likely the work of advocates who believed that group homes or apartment settings populated only by people with disabilities was not in the spirit of Olmstead.
- President Obama signed the Melville Act into law in January 2011.

Melville Legislation

- The intent of these changes is to leverage other dollars (like LIHTC) in combination with 811 funding to create more housing and to promote more integrated housing opportunities through the following new options:
 1. A new 811 PRA model provides PRA (subsidies) funding directly to state housing agencies (MHDC) working in partnership with state medicaid agencies to create integrated supported housing. No more than 25% of the units in Section 811-assisted properties can be set aside for people with disabilities. (Remember that operating subsidy we were looking for in our tax credit project? This could provide up to 25%.)

811 Changes

2. A new Section 811 Multifamily approach will provide *both* Section 811 Capital Advance and PRAC funding to a non profit to create integrated supportive housing. (Again, no more than 25% set-aside for people with disabilities.)

It should be noted that there will still be the option of applying for “traditional” 811s but I would expect the number will be reduced in favor of the new models and there was no money in the HUD budget for any this year.

Status of HUD 811

- Currently considered a pilot demonstration project
- States were given the opportunity to apply
- Missouri and about 2/3 of other states applied – waiting to hear
- The NOFA only included funding for the PRAC, rental assistance, no money for capital advance

2. MHDC Funding Options (Missouri Housing Development Commission)

- Low Income Housing Tax Credits (LIHTC)
If non-profit is the applicant, the credits can be sold to equity partners to provide the capital for building.
- Credits are used over 10 year period
- 9% credits = 9% per year of allowable project cost over ten years
- 4% credits much less competitive because bigger funding gap to fill.

MH Provider History with LIHTC

- Prior to 2010, very few “special needs” non-profit developer projects were funded.
- While there was a stated priority for service-enriched housing, the reality was that the ranking of your local municipality had become the most important factor
- This made it very difficult for non-profits serving people with disabilities or special needs to compete with large for-profits or projects heavily favored by various city planners (e.g., Places at Page).

Special Needs Set-Aside

- Advocacy caught attention of State Treasurer Clint Zweifel who was Chair of the Commission at the time. He pushed for special needs set-aside (outside of the geographic allocation). The first round goal was two special-needs projects. Last year the goal was one-third of all credits.



Special Needs Set-Aside

- The impact of this is twofold:
 1. Providers who are developers no longer compete in the larger pool but with other special needs providers.
 2. There is a new incentive for developers to partner with services providers in order to be given the competitive advantage of being considered a special needs project.

Other MHDC Funding Options

- HOME funds
- Housing Trust Fund (annual grants)
- HAP credits

3. Historic Tax Credits

- Building must be listed on National Registry of Historic Places
- Eligible for state and federal Historic tax credits
- In the past, it was a viable option to layer Historic with LIHTC.



4. Master Lease

- Find landlord who will rent whole building to agency.
- In exchange for full occupancy, provider agency may
 - Choose tenants and sublease
 - Provide services on-site if necessary
 - Be allowed to make building modifications to meet program needs

5. Private Financing

- Traditional mortgage and/or foundation or private donations to purchase multi-family building.
- Lease units to individual tenants



Operating Subsidies - Second Leg of the Stool

- With no debt, cost of \$400 month per unit
- Melville/HUD 811 with MHDC LIHTC
- MHDC AHTF
- Shelter Plus Care
- SHP through Continuum of Care
- Grants
- SCLP
- Other Voucher programs, Public Housing (encourage local PHA to apply for NED)



Services – The Third Leg



- Services may be site-based, provided by off-site staff, or any combination of the two.
- Services can be funded by tenant eligibility (e.g., Medicaid) or through a grant to provide services to a specific project.



New CPRP Residential Rates

- Recognizing the importance of 24/7 staffing in helping some people recover in safe housing, DMH has designed new residential services.

They provide for day rates to assist people living in clustered apartments, intensive residential treatment settings, or psychiatric individualized supported living.

Service Dollar Grants

There are specific grants for services provided in housing that are linked to population served. Examples include:

- Young adults graduating from foster care
- Veterans
- Chronically homeless

(see Missouri Housing Toolkit for examples and links to resources)

What Would a Housing Plan for My Agency Look Like?

- What are the different types of housing models needed in our region?
- In what proportion are they needed ? (e.g., mostly voucher-only, set-asides, specially designed buildings, single family housing??)
- Who are my partners in planning? In development?
- Will I partner for some projects and be developer for others?
- What models are the priorities for our region?
- Examine each option to see what combination of funding may be available to fund capital, operations, services.
- Will there be a need for advocacy to secure any one of those three legs?
- Set goals for five, ten year period

Key Helpful Resources

- <http://dmh.mo.gov/housing/HousingDevelopment> DMH housing unit Web site and toolkit
- www.csh.org Corporation for Supportive Housing
- www.tacinc.org Technical Assistance Collaborative
- www.mhdc.com Missouri Housing Development Commission
- www.desc.org Downtown Emergency Service Center

Why Bother?

- Because these are the alternatives and this no way to live

